

Campbell Introduces The Defending American Taxpayers from Abusive Government Takings Act

Legislation would prevent unconstitutional seizures of distressed home loans by local governments

Washington, DC – Today, Representative John Campbell (R-CA) has introduced **The Defending American Taxpayers from Abusive Government Takings Act**

, legislation to stop reckless city and county governments from enacting profiteering schemes that seek to cash in on the plight of underwater homeowners through the arbitrary seizure of private home loans. Basing their claims on a rather untenable interpretation of eminent domain authority, local governments around the country have entered into agreements by which they seek to use federal taxpayer dollars to seize distressed home loans and fund unconventional loan modifications. The Defending American Taxpayers from Abusive Government Takings Act will preserve and uphold the rule of law, protect the taxpayer from abusive crony capitalism, defend against misguided wealth redistribution conspiracies, and facilitate the recovery of the American housing market.

In an astonishingly large and expansive interpretation of eminent domain authority, several local governments have proposed plans to override property rights in a scheme that is specifically designed to make money for over-leveraged cities. Not only will cities and counties benefit from this wealth redistribution plot, private consulting firms purporting to be experts on eminent domain have partnered with local governments in order to profit from this abuse of power, as well. Even more egregiously, the underwriter for the unpaid principal balance in this scheme will not be private financiers, as proponents for the eminent domain plan claim, but the American taxpayer.

“There is no question that we need to take steps to assist American homeowners in distress,” said Rep. Campbell upon introduction, “but, these steps must not undermine rule of law, must not engage in corruptive and abusive practices, must protect the American taxpayer, and must not further degrade the housing market. The eminent domain programs in question are atrocious, corruptive, irresponsible and unconstitutional. We do need to fix the housing sector, but it must be done in a way that does not break the law and does not enrich undeserving, politically-connected entities in cities and counties with unsustainable budget deficits.”

While the legality of a city or county’s use of eminent domain for this purpose is tenuous and yet

to be determined, it is equally unclear if Fannie Mae and Freddie Mac would be guaranteeing or purchasing loans modified through these programs. It is also unclear if non-qualified borrowers will have their modified mortgages held in portfolios or securitized. Additionally, the unsubstantiated nature of these programs present significant risks of corruption, theft, waste and abuse of power. For example, Campbell notes, by the terms of the program, it would appear to be in a city's financial interest to appraise the properties underlying seized mortgages as low as possible in order to increase their potential profit. Finally, these programs will dramatically hurt the markets they are employed in as they will virtually destroy private lending in these cities and counties for years to come.

As an alternative to the eminent domain program, Rep. Campbell and Rep. Gary Peters (D-MI) have introduced H.R. 5940, the Preserving American Homeownership Act. This bill would direct FHFA to establish a program to pilot principal reduction programs for loans owned or guaranteed by Fannie Mae and Freddie Mac.

□ **The Defending American Taxpayers from Abusive Government Takings Act** currently awaits consideration in the House Committee on Financial Services.

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The Defending American Taxpayers from Abusive Government Takings Act:

What It Does:

Protects Taxpayers' Investment:□ If the seizing of mortgage loans through eminent domain becomes widespread, Fannie Mae and Freddie Mac will sustain losses of up to 30% in their private-label residential mortgage-backed securities held in their portfolios. The legislation will limit the extent to which taxpayer dollars are put at risk going forward.

Defends America's Retirement Savings: Current and future retirees own significant amounts of private-label RMBS through various investment funds, including those held by public and private pensions, 401(k)s, IRAs, and other savings vehicles. These Americans do not deserve their retirement savings being diminished to pay for the short-sighted objectives of local politicians, and the legislation will help to prevent these unnecessary losses going forward.

Preserves the Rule of Law: The strength of private contracts has helped to provide nearly \$14 trillion of mortgage loans to American homeowners. When local governments to use eminent domain to seize mortgages, they are breaking a private contract agreed to by homeowners and their lenders. This undermines confidence in our nation's housing finance system, making it harder and more expensive for future homeowners to borrow money. The legislation will ensure that homeowners and lenders can rely on existing contract law.

How It Works:

Fannie Mae and Freddie Mac: Fannie Mae and Freddie Mac's charters are amended to prohibit them from purchasing mortgage loans originating in counties where a municipality has seized a mortgage loan through the power of eminent domain within the previous 10 years.

Federal Housing Administration: The National Housing Act is amended to prohibit the Federal Housing Administration from guaranteeing mortgages originating in counties where a municipality has seized a mortgage loan through the power of eminent domain within the previous 10 years.

Veterans Administration: The Veterans Administration is prohibited from making, insuring, or guaranteeing mortgage loans within counties where a municipality has seized a mortgage loan through the power of eminent domain within the previous 10 years.